



DIRECTORATE OF
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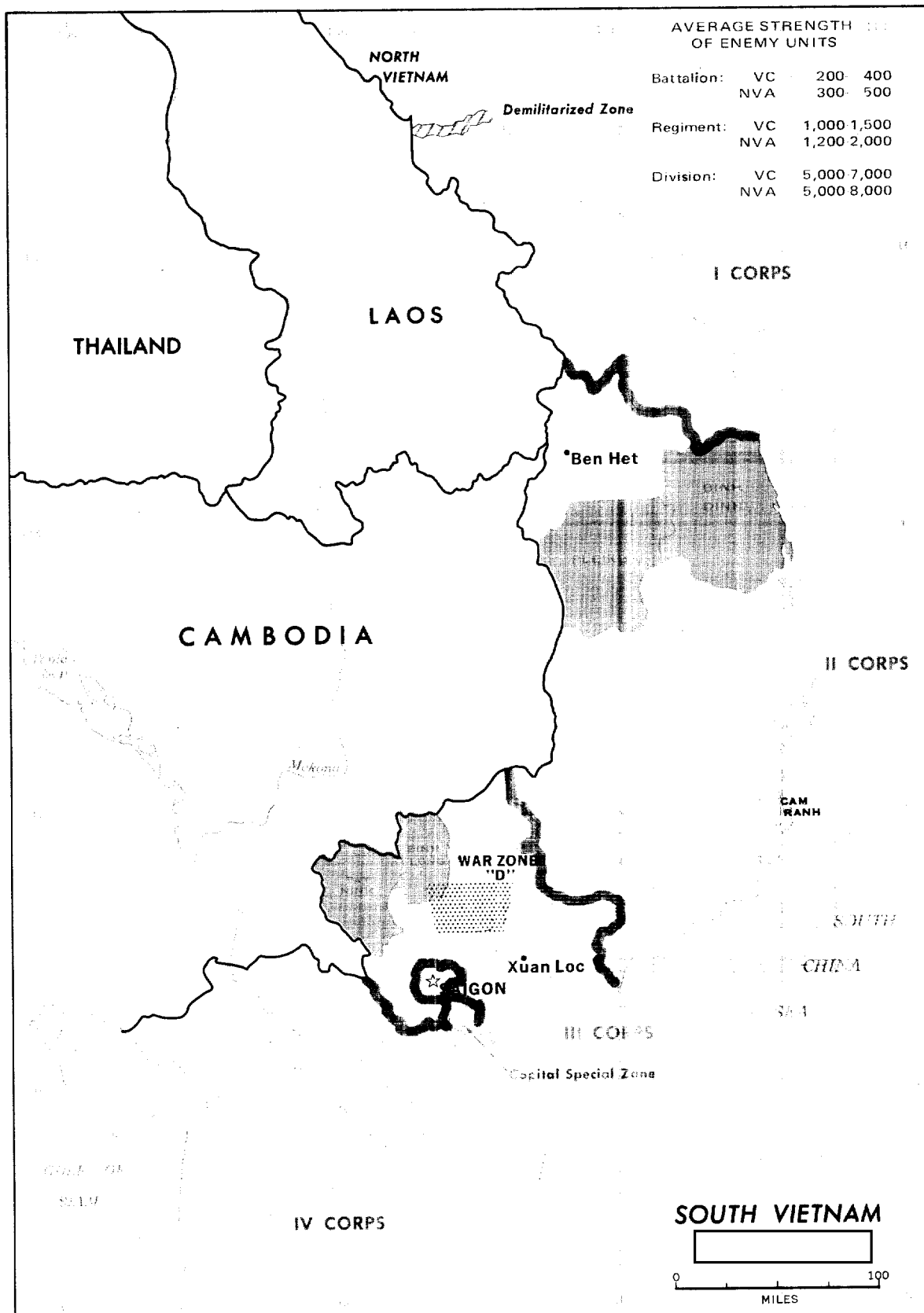
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[South Vietnam: Some Communist main force units in several important areas once again appear to be entering a period of partial disengagement.

In the central highlands, the principal enemy forces responsible for the recent siege of Ben Het--the North Vietnamese 28th, 40th, and 66th regiments--appear to have withdrawn to Cambodian sanctuary.

Nearer Saigon, in III Corps, elements of the Viet Cong 5th Division have pulled back from forward staging areas near Xuan Loc to traditional base areas deep in War Zone "D," while those of the 9th Division are refitting and regrouping in sanctuaries along the Tay Ninh Province - Cambodian border.

On the other hand, several Communist combat units are preoccupied with preparations for another upsurge or "highpoint" of attacks sometime during July.

In the central highlands the enemy continues busy with attack planning in Binh Dinh and Pleiku provinces. The North Vietnamese 1st and 7th divisions also continue tactical maneuvers around potential allied targets in both Tay Ninh and Binh Long provinces. (Map) **]**

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Chile: The progressive nationalization agreement is already being attacked by leftist political groups.

Under the agreement, Chile will purchase 51 percent of the Anaconda Company's operations within three years and will buy the remaining 49 percent over a longer period. The Communists have attacked the latter purchase arrangement and also a three-year management contract with Anaconda. Rather than answering the Communists, the government has accused them of lacking patriotism. Partly because the Communists are wary of getting on the wrong side of a nationalistic issue, and partly because they fear they would be the first target in any government crackdown on the left, they have toned down their attacks.

In addition to Communist criticism of the agreement, the Socialist and Radical parties have announced that they intend to continue to fight for their bills now before congress that call for immediate nationalization of Anaconda with little compensation. Even if congress passes nationalization legislation, it could not get the necessary votes to override Frei's inevitable veto without defections from his party.

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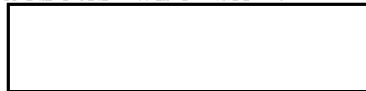
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El Salvador - Honduras: Both countries have agreed in principle to mediation of their dispute, but little progress has been made to heal the breach in diplomatic and commercial relations.

The Salvadoran Government, which initiated the break on 26 June, has set five conditions for acceptance of mediation. These include immediate cessation of the persecution and expulsion of Salvadorans in Honduras, punishment of those responsible for crimes against Salvadorans, and payment of reparations. El Salvador has refused to drop the charge of genocide it brought before the OAS Human Rights Commission and has demanded that all Salvadorans who fled Honduras be allowed to return to their homes, businesses, and jobs if they wish to do so.

The Honduran Government particularly resents the genocide charge, maintaining that it took prompt action to ensure the safety of Salvadorans in Honduras. Many of the approximately 10,000 Salvadorans who have fled Honduras apparently had been there illegally, and it is unlikely that Honduras can be persuaded to readmit all of them. Indeed, Honduras is suspicious that many Salvadorans still in the country originally entered illegally and has ordered that all Salvadorans must register for documentation within one month or be expelled.

Trade between Honduras and El Salvador has completely stopped and land traffic between Guatemala, Nicaragua, and Costa Rica is reportedly coming to a standstill. Failure to reach a quick settlement of the dispute can be expected to cause further economic dislocations within the Central American Common Market.



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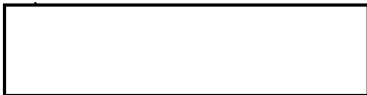
Paraguay: The government's inept handling of mounting student unrest has created a tense political atmosphere.

In mid-June, security forces overreacted to leftist-led student demonstrations against Governor Rockefeller. Several students were severely beaten and others were arrested. These tactics sparked new demonstrations against police brutality and resulted in more violence. There has been little violence since 21 June, but university students and many secondary school pupils continue on strike.

The government is refusing to bring arrested students to trial, and maintains that the agitators are Communists. It has alienated the elite by clumsily trying to cover up the fact that incriminating evidence against one student was obtained through an illegal search.

So far the public has shown little sign of becoming actively involved, but the opposition parties have condemned the government's repressive measures and the Catholic bishops have issued a statement which implies that they are sympathetic to the students.

The student disturbances do not pose an immediate threat to the government, but the opposition's increasingly vociferous attacks on it are tempting President Stroessner to reverse his long-standing attempts at political liberalization, and he may move to silence criticism of his administration.



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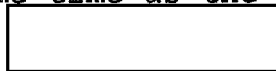
USSR: The USSR reportedly is working on an advanced version of the TU-144 supersonic transport.



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it would be an all-titanium version of the TU-144. The use of titanium would permit higher cruising speeds and substantial weight savings, as well as greater payload and range.

The present TU-144 is providing the Soviets with valuable experience in SST operations, and would buy some time for the development of an improved titanium version that could still reach the world market about the same time as the first generation of Western SSTs.



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Afghanistan: The government has adopted a tougher attitude toward student and faculty agitators, raising the possibility of new clashes between security forces and militants.

Prime Minister Etemadi, in a radio speech on 28 June, warned that the government would no longer tolerate the agitation that has sporadically disrupted life in Kabul for the past three months, and would use the full powers at its command to maintain order. His basically uncompromising speech warned dissident faculty members that they were also members of the Afghan civil service and were subject to government rules and regulations.

Following a long meeting on the 26th with Etemadi, the Kabul University Senate appealed to all students and faculty to resume classes on 29 June, threatening disciplinary measures against those students who refused. Some students did return to classes, and a majority of both the students and faculty appears willing to follow suit, although many are fearful of reprisals from the militants.

Etemadi's tough speech leaves the government with little room to back down in the event that the warning goes unheeded. How far the leaders of the dissident students and faculty are willing to go in the face of government threats to use force is not yet clear, but their uncompromising stance in the past points to the probability of new and possibly serious clashes with security forces.

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NOTES

25X1 [Argentina: Yesterday's general strike by the militant antigovernment bloc of unions had limited success. Despite the adoption of stringent measures by security forces operating under the newly imposed nationwide state of siege, terrorists bombed an electric power plant and some railroad cars in the capital. Assassinated labor chief Augusto Vandor's metalworkers union has called a 24-hour strike of mourning for today, and some other unions may join it.

* * * *

25X1 South Korea: The government appears to be maintaining its cautious but firm approach toward student demonstrators opposed to a third term for President Pak. For the fourth straight day, Seoul riot police yesterday drove back thousands of student protesters attempting to leave their respective campuses, but appear to have made only a minimum number of arrests. In an apparently related move to help cool off the situation, the authorities have released many of those arrested when the demonstrations began last week. At least one major campus has been closed for two days to deny the students a rallying place.

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